

Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PA-03 USIA-15

PRS-01 FS-01 PER-05 ABF-01 L-03 RSR-01 /141 W

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P R 121135Z AUG 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 4631

INFO AMCONSUL DHAHRAN

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BRUSSELS

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY PARIS

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PARIS PASS RFC

E.O. 11652: N/A

TAGS: EFIN, SA

SUBJ: MINIMAL SAUDI REVALUATION

REF: JIDDA 3402

1. ROYAL DECREE ISSUED AFTERNOON OF AUGUST 11 SETTING NEW RATE FOR RIYAL IN TERMS OF GOLD EFFECTIVELY REVALUING BY 5.078 PERCENT (RPT 5.078 PERCENT) A SURPRISINGLY MODEST CHANGE.

2. EXACT NEW RATES ARE AS FOLLOWS: SAMA RATE FOR BUYING DOLLARS IS 3.545 RIYALS AND SELLING RATE SET AT 3.555.

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OFFICIAL VALUE OF RIYAL IS 28.16 CENTS (RPT 28.16 CENTS).

ONE HUNDRED RYALS AT THE OLD RATE WOULD BE WORTH
95.1675 AT NEW RATE.

3. LOCAL NEWS MEDIA EMPHASIZED THE NECESSITY OF RE-
VALUATION TO PREVENT FURTHER GREAT HARM TO THE RYAL
ECONOMY FOLLOWING THE DOUBLE DOLLAR DEVALUATIONS. EDI-
TORIAL IN NADWA AUGUST 12 NOTED NEW RATE GIVEN ONLY IN
TERMS OF GOLD AND SAID THAT THIS MADE CLEAR RYAL WAS NO
LONGER CONNECTED WITH DOLLAR CURRENCY AND IS A TRUE
NATIONAL AND INDEPENDENT CURRENCY. AN AL MEDINA GUEST
EDITOR ALSO NOTED RYAL WAS NO LONGER DIRECTLY CONNECTED
WITH AND WAS FAR REMOVED FROM THE DOLLAR EXCHANGE MARKETS.
THERE IS HOPE, HE WROTE, THAT THE RYAL ITSELF MIGHT NOW
BE STRONG ENOUGH TO BE ACCEPTED BY OTHER COUNTRIES TO
FINANCE SAUDI IMPORTS.

4. LOCAL SOURCES AGREE GOVERNOR ALI OF SAUDI MONETARY
AGENCY (SAMA) HAD ARGUED AGAINST ADJUSTMENT AT THIS TIME
ON BASIS THAT IT WAS COUNTERPRODUCTIVE TO KINGDOM'S BASIC
POLICY OF SEEKING TO INDUSTRIALIZE. BY CHEAPENING IMPORTS
AND MAKING POTENTIAL EXPORTS MORE EXPENSIVE, HE REPORTEDLY
CONTENDED SAG NOT FOLLOWING CONSISTENT MONETARY AND IN-
DUSTRIALIZATION POLICIES. MODEST RATE CHANGE APPEARS TO
BE A COMPROMISE WITH OTHER BOTH WITHIN AND OUTSIDE GOVERN-
MENT.

5. LOCAL BANKING FIGURES VIEW REVALUATION AS POTENTIALLY
DISAPPOINTING IN PURELY MONETARY TERMS OF RESTORING
CONFIDENCE IN DOLLAR-RYAL EXCHANGE MOVEMENTS. BUSINESS-
MEN FEEL MINIMAL REVALUATION MORE PSYCHOLOGICAL THAN
ECONOMIC IN ITS IMPORTANCE.

THACHER

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